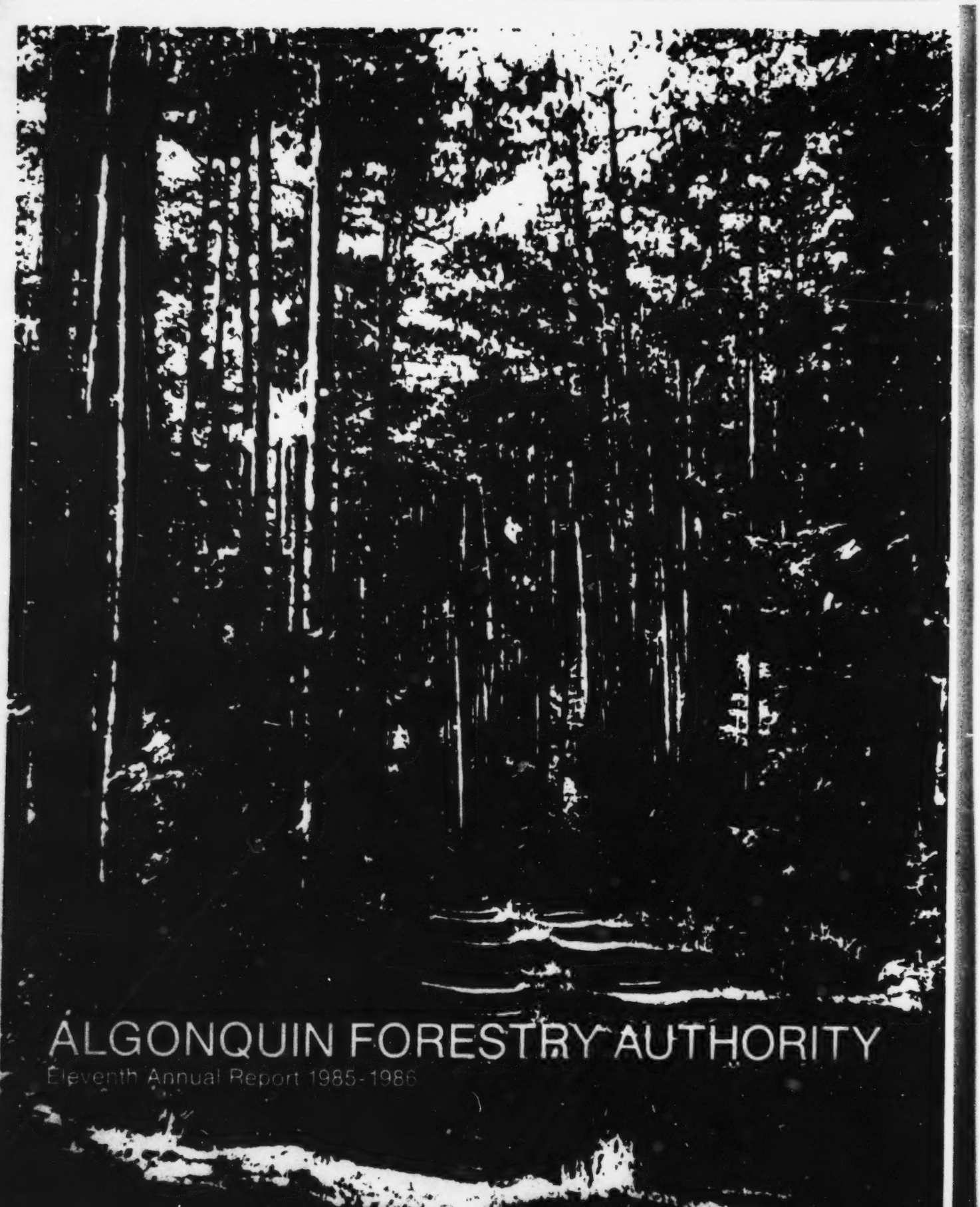

ALGONQUIN FORESTRY AUTHORITY

Eleventh Annual Report 1985-1986

Ministry of
Natural
Resources

TO HIS HONOUR
The Lieutenant-Governor
of the Province of Ontario

MAY IT PLEASE YOUR HONOUR

The undersigned begs respectfully to present your Honour the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 1985 and ending March 31, 1986.

VINCENT G. KERRIO
Minister

Algonquin
Forestry
Authority

Honourable Vincent G. Kerrio
Minister of Natural Resources

Honourable Sir:

I have the honour to submit to you the Annual Report of the Algonquin Forestry Authority for the year beginning April 1, 1985 and ending March 31, 1986.

P.I. Roche
Chairman

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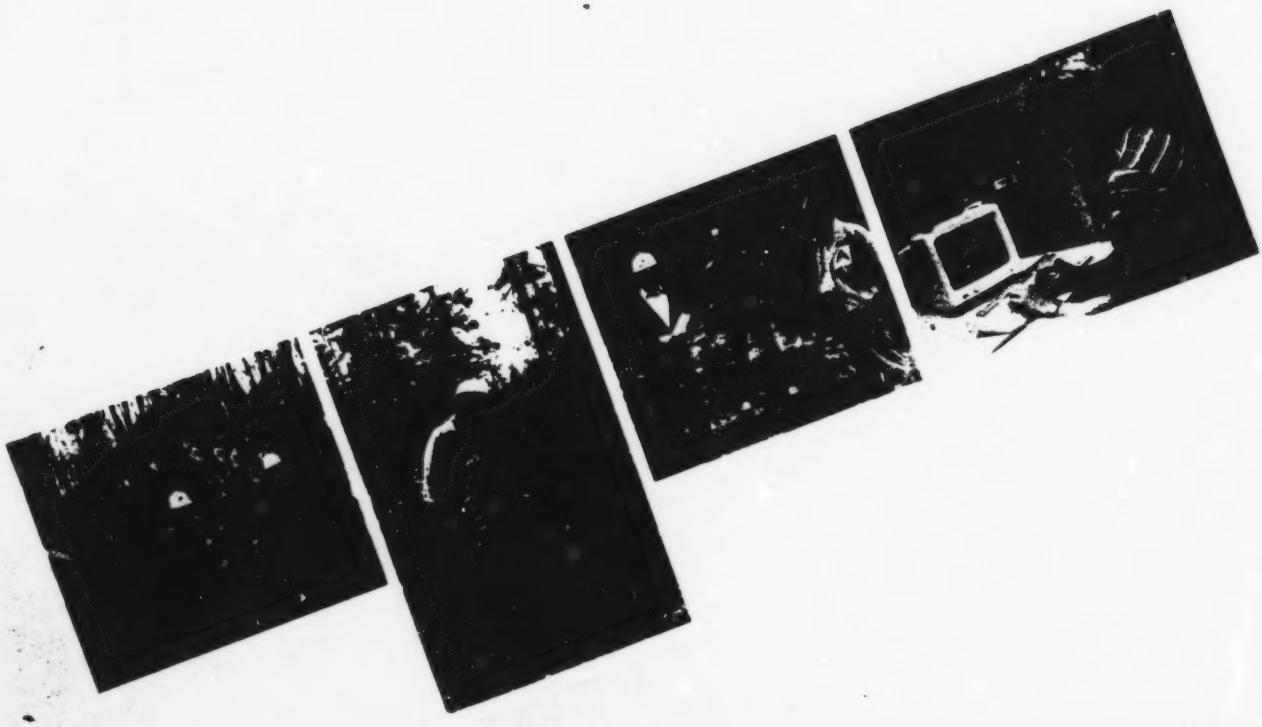


CHAIRMAN'S FOREWORD

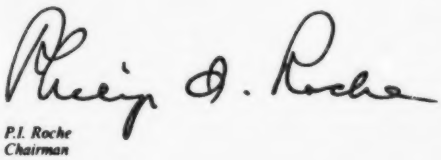
The terms of office of four Directors were completed in 1985. Chairman B.A. Reynolds was a founding Director in 1974 and Chairman since 1982. Directors J. Simons, G. Maeck, and G.E. Wallace completed three year terms. The Board acknowledges with thanks the wise counsel, active participation and good work of these people.

New appointees, including myself, are M.L. Rainville, J.J. Hickey and G.C. Post. We have been warmly welcomed by other Board members and staff. All have been very helpful and supportive.

The salvage of wind damaged timber was completed in 1984-85 and the 1985-86 program returned to a more normal pattern. The reduced level of activity required adjustments and changes for contractor, clients, and staff. These changes were accomplished smoothly.

The appointment of W.J. Brown, R.P.F. as General Manager created the opportunity for a number of other staff changes within the organization which are detailed later in this report.

The objectives of the Authority were successfully completed for 1985-86 due to the diligent work of staff and contractors, the co-operation and support of clients, and valuable collaboration from the Ministry of Natural Resources and several other agencies and individuals. The Board of Directors acknowledges and appreciates their co-operation and support and looks forward to a successful 1986-87.



P.I. Roche
Chairman

BOARD OF DIRECTORS

Chairman:
P.I. Roche, Whitney

Vice-Chairman:
F.K. Roberts, Toronto

Directors
W.G. Beatty, Gravenhurst
J. Flavelle, Pembroke
J.J. Hickey, Chalk River
R. Milne, Sundridge
F. Parrott, Huntsville
Geoffrey C. Post, Barry's Bay
Mary Louise Rainville, Mattawa
K. Wilson, Boulter
D.G. Wolfe, Eganville

OFFICERS

General Manager, W.J. Brown, R.P.F.
Secretary-Treasurer, M.R. Green, B.A., C.A., C.M.A.

OFFICE

Algonquin Forestry Authority
P.O. Box 1198
Huntsville, Ontario
P0A 1K0

Telephone: (705) 789-9647
Telex: 06-875530

INTRODUCTION

Logging originated around 1840 in the area which subsequently became Algonquin Park. Logging, one of the multiple uses to which the Park was dedicated in 1893, has continued to the present.

The Ontario Government established the Algonquin Forestry Authority on January 4, 1975, in response to public concern for the most beneficial means of maintaining a multiple-use approach in Algonquin Provincial Park.

The Authority operates in conformity with the Algonquin Provincial Park Master Plan and the Forest Management Plan for Algonquin Provincial Park, successfully applying the principles of integrated resource management. The public interest in the quality of the Park for recreation is balanced with the need to maintain an adequate supply of logs to mills dependent on Park timber (1).

The forest industry supplied by Algonquin Park timber comprises ten sawmills, three veneer mills, one pole plant, one pulp mill and one match splint mill which are wholly or partly dependent on this vital source of raw material. Direct contribution by Algonquin logging and primary manufacturing to the Ontario economy was $51 millions in terms of 1985 value added (2).

GOALS AND OBJECTIVES

The goal of forest management in Algonquin Park is:

To produce a continuous supply of forest products to the forest industry of the region in harmony with other uses and in a way that preserves other values.

To accomplish this goal, the following objectives have been established:

1. To manage and upgrade the quality of the forest to insure the long term needs of local industry.
2. To effectively utilize the range of products that the forest will yield.
3. To maintain a forest cover which satisfies the requirements of regeneration, asthetics and preservation of the diverse vegetation types.
4. To preserve and protect recreational values, fish and wildlife habitat, soil and water resources.

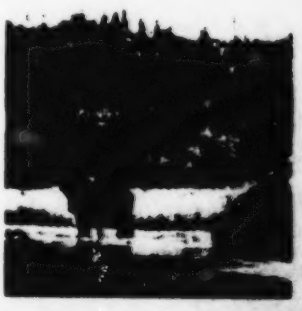
STRATEGIES

The Authority meets the first two objectives by contracting with local loggers and with mill operators for production and delivery of forest products to the sixteen dependent mills. Logging operations are fully integrated to generate a variety of forest products. Aggressive marketing practices are used in disposing of surplus low grade products.

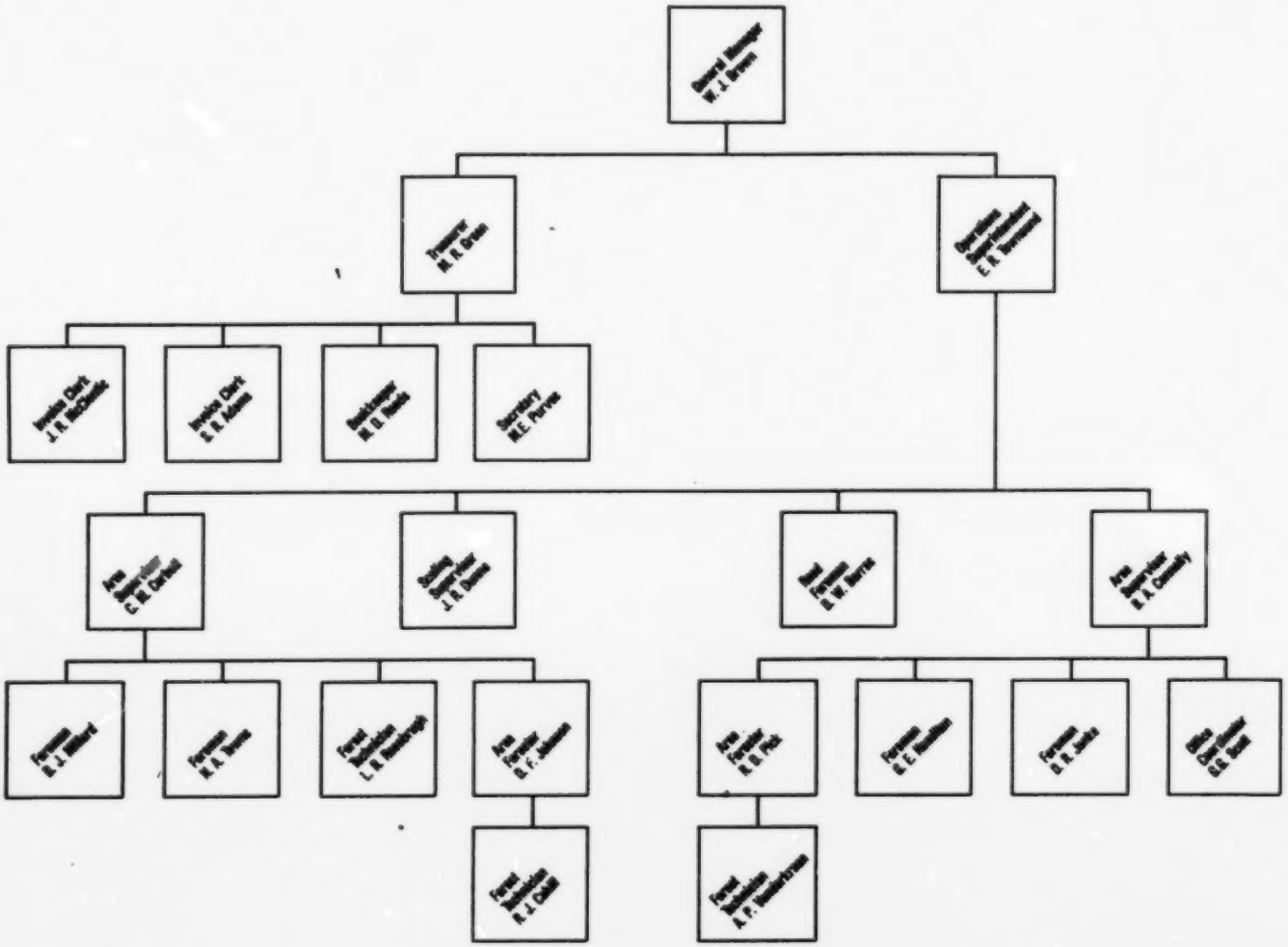
The second two objectives are met by sound planning and controlled implementation within regulated standards. Silviculture prescriptions specify various degrees of partial cutting in the principal working groups. Residual stands will provide subsequent harvests and seed or natural regeneration. Logging impact is minimized by buffer zones along lakeshores, watercourses and other sensitive features. Road location and construction are done discreetly to facilitate natural and assisted rehabilitation of trail and stream crossings after use.

1) Forest Management Plan Algonquin Provincial Park, Algonquin Forestry Authority 1980

2) The Forest Industry in the Economy of Ontario, Ministry of Natural Resources, 1981

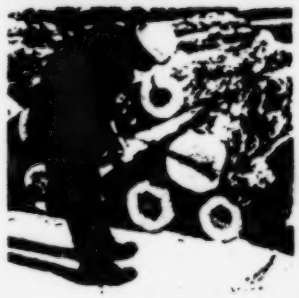


ALGONQUIN FORESTRY AUTHORITY
ORGANIZATION CHART



1985-86 Board of Directors

RESULTS OF OPERATIONS



Sales declined to normal levels in 1985-86 after completing salvage timber operations in 1984-85. The decline was 16% with final sales of $9,859,684.

Net income declined 76% to $128,507 from the 1984-85 net income of $525,704. Higher incomes were provided in 1984-85 from large volumes of salvage pine.

Forest management undertaking revenue relates directly to logging activity and as a result decreased 6% to $1,287,885.

In the 1985-86 period, increased silvicultural stand improvement was implemented with expenses of $103,473 and cost recovery of $63,648. In addition, an improved time allocation resulted in a more accurate charge for administrative wages.

The result of the activity noted was a 68% decline in net income to $108,550.

FINANCIAL POSITION

The continued positive performance is indicated by the cash position of $130,392 and term loans repaid at March 31, 1986.

Working capital improved again, increasing $79,354 to $1,171,005.

LOGGING OPERATIONS

The total volume of forest products produced in the year was 441,611 m^3, which was down 12% from 1984-85.

Pine and spruce sawlog volumes were down 40% from 1984-85 which was the peak year for the blowdown salvage. A volume of 3750 m^3 of two year old salvage was recovered.

Pulpwood, boltwood and fuelwood volumes amounted to 183,751 m^3. Weather conditions were generally favourable, particularly during the winter, and contractors finished early.

A safety awareness program for logging contractors and their employees was begun in 1984-85. The contractor with the best safety record in 1984-85 was Basil Visneskie and Sons Ltd. In 1985-86, Robert Yaskolskie Logging Ltd. had the best record.

Safety Award Banquet

PRODUCT DISTRIBUTION
(CUBIC METRES)

PRODUCT	Annual Available Harvest	Annual Allocation	Surplus Available	Regular Harvest 1985-86	Salvage 1985-86	Total 1985-86	Total 1984-85
Hardwood Veneer Logs	10,732	12,740	—	8,429	—	8,429	11,299
Hardwood Sawlogs	121,144	121,845	—	102,443	—	102,443	132,083
Hemlock Sawlogs	73,883	47,350	26,533	38,877	—	38,877	35,701
Pine	88,008	88,008	—	73,243	3,686	76,929	160,127
Spruce Sawlogs Balsam Sawlogs	12,001	12,001	—	22,910	70	22,980	
Poplar Spilet Logs	4,820	4,820	—	4,818	—	4,818	5,200
Red Pine Poles	8,370	8,370	—	5,703	—	5,703	12,798
Pulpwood, Softwood & Fuelwood	313,851	155,270	158,381	183,743	—	183,743	143,188
TOTAL	616,488	429,804	184,914	437,866	3,756	441,811	500,396

SALES

Total sales were down by 12% relative to last year, reflecting a return to more normal levels.

Demand for softwood and hardwood sawlogs was steady until late in the season when some mills began to curtail deliveries of hardwood and hemlock logs.

Sales of pulpwood, boltwood, and fuelwood were up substantially to a level of 183,751 m^3 compared to 158,381 m^3 a year earlier. This was primarily due to demand for poplar and boltwood. Fuelwood was down to 21,777 m^3 compared to 25,513 m^3 the previous year.

As the season ended it was apparent that problems were developing in the hardwood rail tie market, and that poplar and hemlock markets were softening.

OPERATIONS PLANNING AND CONTROL

A new forest operating plan for the period 1985-1990 was completed and approved after extensive consultation with the Ministry of Natural Resources and opportunities for public review and comment.

A major data processing project was completed during the year. Wood measurement data is now keyed into a computer system. The system then generates internal reports and financial statements, invoices to customers, and transmits data to the Ministry of Natural Resources.

The cutover survey for 1984-85 mapped 18,351 hectares of which 5,737 hectares were blowdown and the balance regular areas. The yield per hectare was 27.3 m^3 compared to 31.4 m^3 the previous year. The lower volume recovery results from the areas of partial blowdown which were salvaged.

CONSTRUCTION AND REPAIR

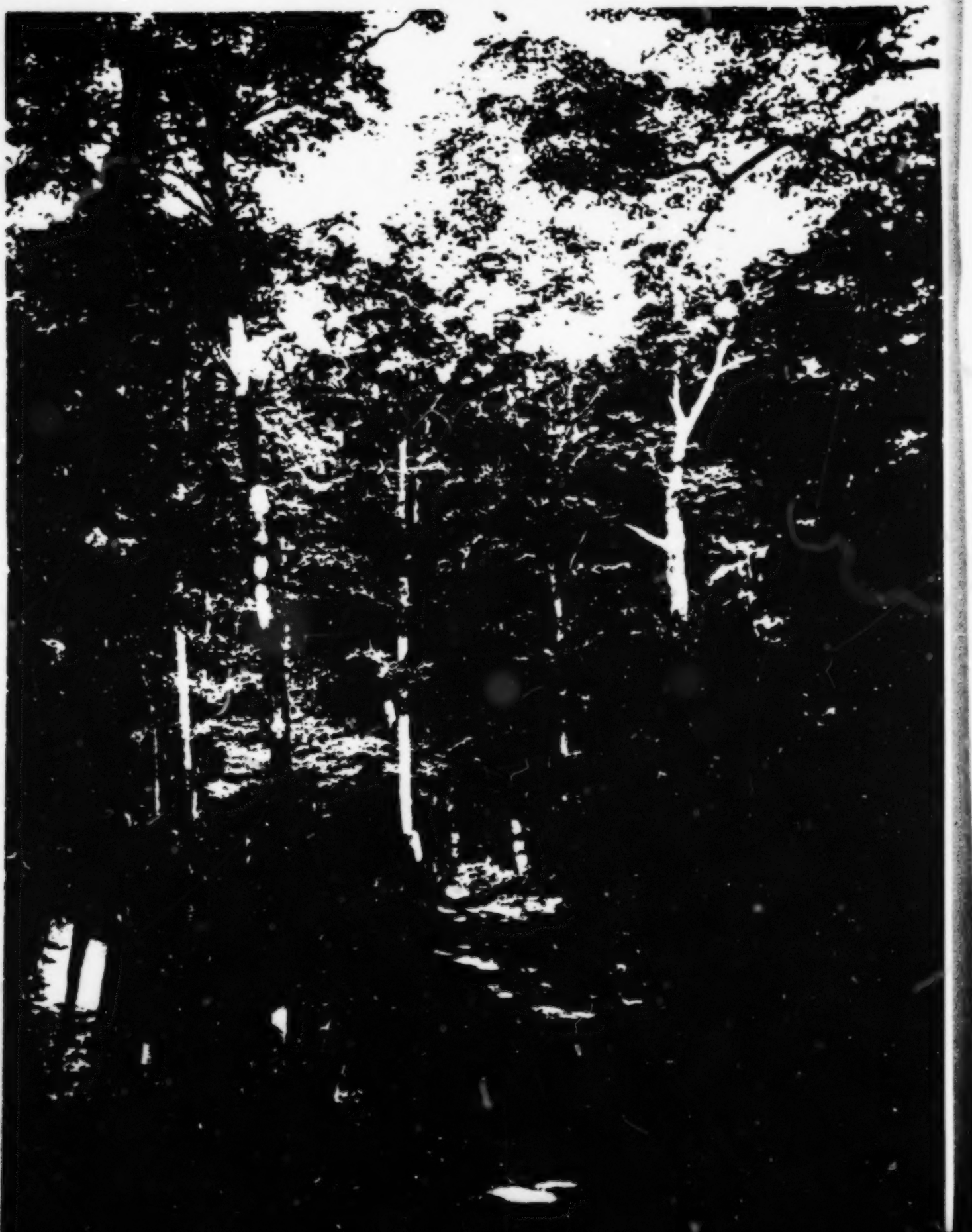
Two major bridges received repairs and reconstruction during the year.

The bridge over the Petawawa River at Radiant Lake was damaged by high water levels and ice build up, and was dismantled and rebuilt during a four week period in August.

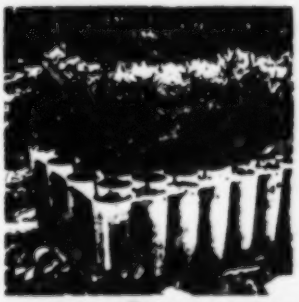
The bridges over the Petawawa River near Lake Traverse required extensive repairs because of deteriorating timber on the deck and railings.

Crushed gravel was applied on the first 13 km of the Lake Traverse road and a bridge was installed to replace culverts at Lone Creek.

Reconstruction and maintenance was performed on several other roads as needed for both logging and recreational uses.



REHABILITATION



Two temporary bridges on creek crossings in Finlayson Township were removed and the stream banks contoured to their natural position.

A number of eight to ten feet high conifer trees were planted near a road entering off highway 60 to screen the opening.

On three locations where winter roads crossed hiking trails, the area in the vicinity of the trail was levelled and landscaped to a natural appearance. Three Park boundary crossings that are no longer used, were closed off.

FOREST MANAGEMENT

Marking of trees for retention or removal under the silvicultural systems in use, is a major part of the forest management effort. A.F.A. Technicians and Foresters marked 12,100 hectares during the year and M.N.R. staff audited the work throughout the year.

Planting of 340,000 trees in the vicinity of the blowdown was done during the spring and summer. The total number of trees planted in the blowdown area is now at 622,000.

Stand improvement on 2,175 hectares of tolerant hardwood areas was completed by removing defective and cull trees.

Growth plots have been established in both tolerant hardwood and pine areas to monitor the growth of the forest after cutting under the selection and uniform shelterwood systems.

Examination of 3,288 hectares of white and red pine area indicates that 95% are stocked satisfactorily with pine and spruce seedlings and saplings five years after the seeding cut.

An amendment to the Forest Management Plan was proposed to allow seasonal road crossings of the Crow and Nipissing Rivers. A public review of the proposal was conducted during March.

A small forest fire occurred in Stratton Township during August, 1985. The area affected was 12 hectares and lightning was the probable cause. Some material will be salvaged during 1986-87.

PERSONNEL

Total regular staff numbers remained at 21 with seasonal staff numbering up to 35.

There were three resignations during the year and new staff appointments have been made to fill these positions.

A variety of staff training was conducted during the year in the areas of computer operations, surveying, management skills, and wood measurement. Various staff attended seminars on forest management, wildlife habitat management, and enviromental assessment reviews.

PUBLIC RELATIONS

Speaking engagements were completed by staff at community colleges and universities, service clubs, the Federation of Anglers and Hunters, and other interested groups.

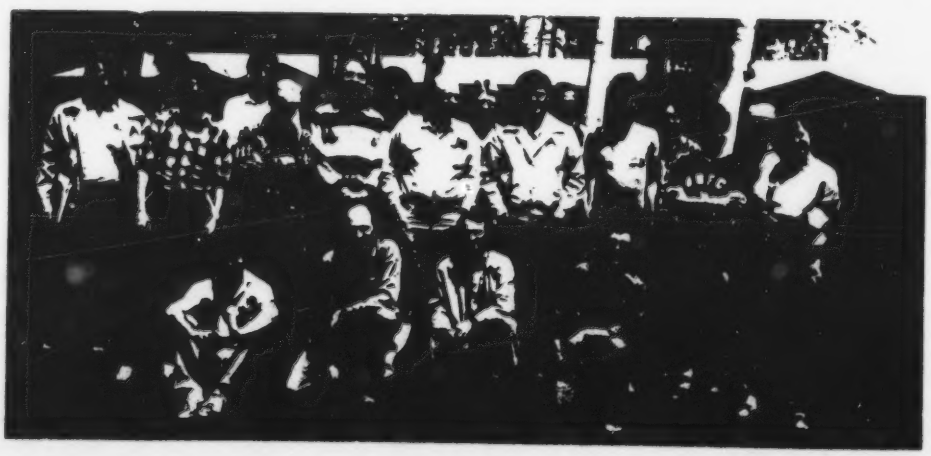
Tours of various aspects of Forest Management in Algonquin Park were conducted for visitors from as far away as Japan and China, as well as a number of groups from Ontario and across Canada.

The Authority contributed funds toward the updating of the slidetape presentation on the history of logging in Algonquin Park which is shown at the Logging Museum near the East Gate of the Park.

FORECAST 1986-87

Logging production of 459,000 m^3 is planned, up slightly from 1985-86. This may prove to be an ambitious objective in light of problems which are emerging in the marketplace. Demand for sawmill wood chips is uncertain, and the market for hardwood railway ties has fallen dramatically. The most worrisome development is the continuing talk in the United States about imposing tariffs on Canadian softwood lumber. These developments combine to make manufacturers of wood products very nervous and cautious. 1986-87 could be a very challenging year.

We are watching nervously the spread of the Gypsy Moth into areas adjacent to the Park and can only hope that spraying programs this spring will keep it from becoming a problem in the Park during the year.



ALGONQUIN FORESTRY AUTHORITY

(Incorporated without share capital under the Algonquin Forestry Authority Act)

BALANCE SHEET AS AT MARCH 31, 1986

Assets

	1986 ($)	1985 ($)
Current Assets		
Cash	**130,392**	—
Accounts receivable	**1,288,026**	1,249,563
Inventory	**180,153**	558,769
Prepaid expenses	**2,570**	485
	1,601,141	1,808,817
Fixed (note 3)	**608,528**	431,516
Deferred charge	**90,487**	113,109
	2,300,156	2,353,442

Liabilities and Surplus

Current Liabilities		
Bank overdraft	—	9,109
Accounts payable and accrued liabilities	**313,914**	365,801
Contractors' performance holdbacks	**116,222**	88,839
Term loans, Province of Ontario	—	253,417
	430,136	717,166
Deferred credit (note 4)	**7,496**	10,809
Surplus	**1,862,524**	1,625,467
	2,300,156	2,353,442

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

STATEMENT OF OPERATIONS FOR THE YEAR ENDED MARCH 31, 1986

	1986 ($)	1985 ($)
Revenue		
Product sales	9,036,585	11,091,819
Standing timber sales	778,323	675,613
Other	44,776	32,823
	9,859,684	11,800,255
Expenditure		
Operating — direct		
Logging and distribution costs	7,464,037	8,855,706
Crown timber stumpage charges	1,147,221	1,292,576
Road maintenance	88,462	43,026
Area charges	13,892	12,888
Operations planning	13,414	61,253
	8,727,026	10,265,449
Operating income	1,132,658	1,534,806
Administrative — indirect operating and other		
Salaries and benefits	591,488	660,466
Depreciation and amortization	155,640	100,958
Office supplies and expenses	71,391	66,118
Consulting	31,595	35,848
Directors' allowances and expenses	31,354	30,703
Public relations	25,241	3,286
Interest	22,393	63,331
Staff recruitment and relocation	22,046	—
Office rent	21,570	22,801
Staff training	10,037	8,018
Staff travel	8,483	8,532
Insurance	8,474	7,644
Bad debt expense	3,827	905
Legal	612	492
	1,004,151	1,009,102
Net income for the year	128,507	525,704
Net income for the year — Forest Management Undertaking (Schedule)	108,550	337,819

See accompanying notes to financial statements.

STATEMENT OF SURPLUS
FOR THE YEAR ENDED MARCH 31, 1986

	1986 ($)	1985 ($)
Algonquin Forestry Authority		
Surplus, beginning of year	1,303,836	778,132
Net income for the year	128,507	525,704
Balance, end of year	1,432,343	1,303,836
Forest Management Undertaking (note 2)		
Unappropriated surplus (deficit), beginning of year	267,188	(33,850)
Net income for the year	108,550	337,819
Appropriated for replacement of fixed assets	(38,081)	(36,781)
Unappropriated surplus, end of year	337,657	267,188
Appropriated surplus, beginning of year	54,443	17,662
Appropriated for replacement of fixed assets	38,081	36,781
Appropriated surplus, end of year	92,524	54,443
Balance, end of year	430,181	321,631
Surplus, end of year	1,862,524	1,625,467

See accompanying notes to financial statements.

STATEMENT OF CHANGES IN FINANCIAL POSITION FOR THE YEAR ENDED MARCH 31, 1986

	1986 ($)	1985 ($)
Source of working capital		
Net income for the year:		
Algonquin Forestry Authority	**123,507**	525,704
Forest Management Undertaking	**108,550**	337,819
Add (deduct) items not affecting working capital:		
Depreciation and amortization	**161,528**	103,353
Gain on disposal of fixed assests	**(7,300)**	(6,813)
	391,285	960,063
Proceeds from disposal of fixed assests	**7,300**	8,791
	398,585	968,854
Use of working capital		
Purchase of fixed assets	**319,231**	247,873
Increase in working capital	**79,354**	720,981
Working capital, beginning of year	**1,091,651**	370,670
Working capital, end of year	**1,171,005**	1,091,651

See accompanying notes to financial statements.

FOREST MANAGEMENT UNDERTAKING FOR THE YEAR ENDED MARCH 31, 1986

SCHEDULE

	1986 ($)	1985 ($)
Revenue		
Forest management revenue (note 2)	1,047,303	1,174,816
Operating reimbursements	165,000	179,000
Stand improvement	63,648	—
Other	11,934	16,594
	1,287,885	1,370,410
Direct Expenditures		
Wages and benefits	389,742	404,278
Heavy equipment rental	137,017	168,355
Stand improvement	103,473	—
Materials	73,480	22,772
Paint	59,138	59,535
Salt and calcium	49,664	52,470
Vehicle costs	41,622	48,503
Planting stock	40,330	47,600
Sub contractors — tree marking	25,970	29,060
Vehicle rental	15,055	19,313
Board and provisions	14,448	15,169
	949,939	867,055
Indirect expenditure		
Salaries and benefits	132,565	116,738
Staff training	16,172	12,280
Radio rentals	4,344	4,279
	153,081	133,297
	1,103,020	1,000,352
Operating Income	184,865	370,058
Administrative		
Wages and benefits	43,630	6,677
Office expense	10,944	8,608
Office rent	9,210	7,697
Depreciation (note 3)	5,888	2,395
Insurance	4,655	4,837
Staff travel	1,988	—
Interest	—	2,025
	76,315	32,239
Net income for the year	108,550	337,819

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS MARCH 31, 1986

1. Significant Accounting Policies

a) Inventory.
Inventory is stated at the lower of cost and net realizable value.

b) Depreciation and amortization of fixed assets.
Depreciation is provided for on the straight line method, generally using rates of 10 per cent per annum for furniture, fixtures, technical equipment, buildings and structures, 20 per cent per annum for data processing equipment and 33 1/3 per cent per annum for automotive equipment. The cost of capital roads is amortized over the estimated number of operating seasons for which the roads are to be used, with a maximum amortization period of ten years.

c) Deferred charge.
Certain costs incurred in the development of a comprehensive forest management plan applicable to the period April 1, 1980 to March 31, 1990 were deferred and are being amortized on a straight line basis over 10 years.

2. Forest Management Undertaking

Effective April 1, 1983, the Authority undertook certain forest and land management activities formerly carried out by the Ministry of Natural Resources. Funding to conduct these activities is derived from operating reimbursements from the Ministry and from the retention of approximately 90 percent of the stumpage fees normally remitted to the Ministry.

3. Fixed Assets

Fixed assets in service are stated at cost and consist of:

	1986 ($)		1985 ($)	
	Cost	Accumulated Depreciation and Amortization	Cost	Accumulated Depreciation and Amortization
Furniture and fixtures	48,660	27,234	47,232	23,102
Data processing	67,310	20,571	41,097	11,370
Technical equipment	34,733	11,025	31,004	7,913
Automotive equipment	148,490	95,260	126,204	84,454
Buildings and structures	14,137	11,520	14,337	10,107
Capital roads	849,200	388,392	608,507	299,919
Forest management undertaking (note 4)	235,193	—	231,880	—
	1,397,723	554,002	1,100,261	436,865
Forest management undertaking grants (note 4)	(235,193)		(231,880)	
	1,162,530		868,381	
	(554,002)		(436,865)	
	608,528		431,516	

Some of the Authority's fixed assets are used to carry out activities of the Forest Management Undertaking (FMU). As a result, the FMU has been charged depreciation of $5,888 on such assets.

4. Deferred Credit

The Ministry of Natural Resources has contributed $242,689 for capital expenditures relating to the Forest Management Undertaking of which $235,193 has been spent as at March 31, 1986. The remaining amount of $7,496 has been recorded as a deferred credit.

5. Commitments

The Authority rents premises under two leases which expire on November 30, 1988 and February 28, 1989. The current annual rent excluding escalation costs, under these leases, is $5,600 and $25,300 respectively.

6. Comparative Figures

Comparative figures have been reclassified where necessary to conform with 1986 presentation.

Office of the Provincial Auditor

Parliament Buildings
Queen's Park
Toronto, Ontario
M7A 1A2
416/965-1381

To the Members,
Algonquin Forestry Authority,
and to the
Minister of Natural Resources.

I have examined the balance sheet of the Algonquin Forestry Authority as at March 31, 1986 and the statements of operations, surplus and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

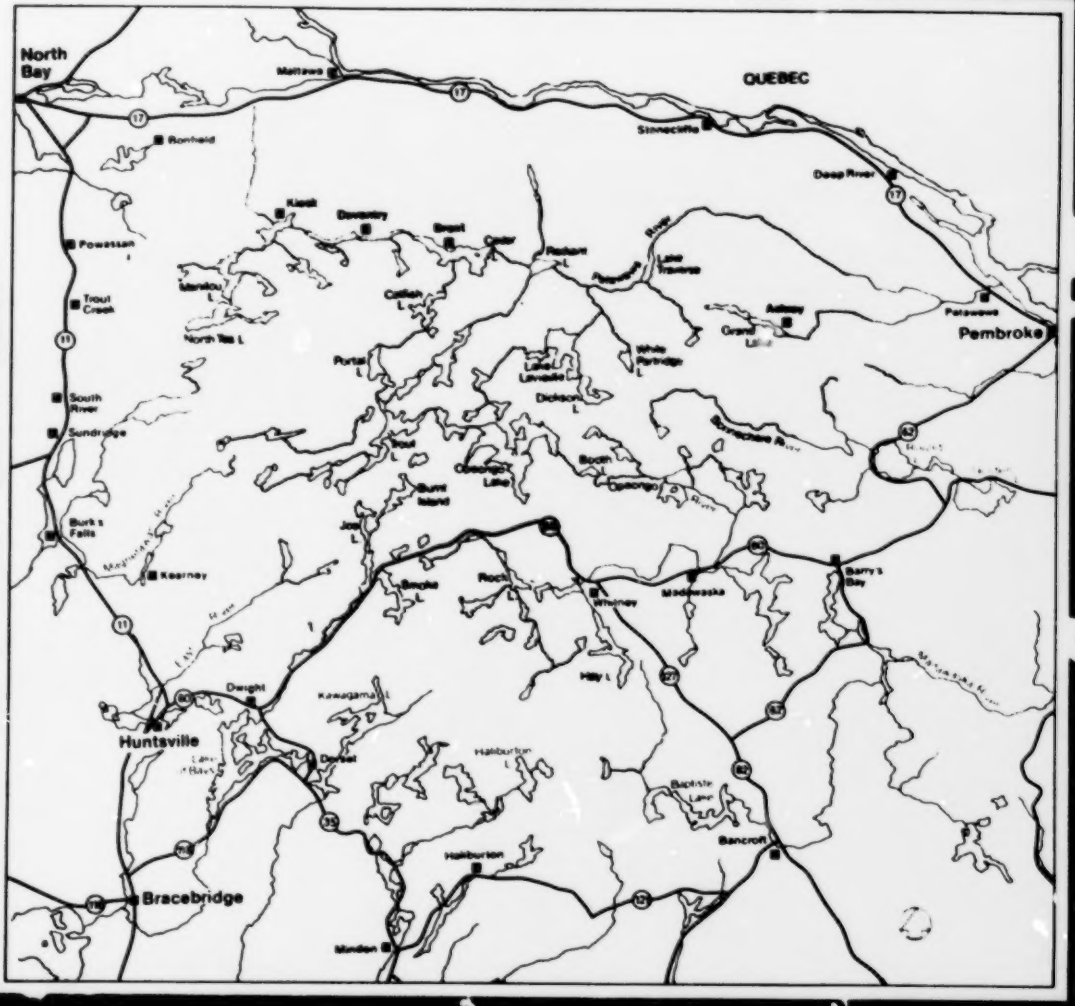
In my opinion, these financial statements present fairly the financial position of the Authority as at March 31, 1986 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

In accordance with Section 18 of the Algonquin Forestry Authority Act, a report on the audit has been made to the Authority and to the Minister.

J.F. Otterman

J.F. Otterman, F.C.A.,
Assistant Provincial Auditor

Toronto, Ontario,
July 16, 1986.


North Bay
QUEBEC
Pembroke
Huntsville
Bracebridge
Bancroft
Deep River
Sturgeon Falls
Burk's Falls
Kearney
Dwight
Parry Sound
Barry's Bay
Madawaska
Haliburton
Maynooth
Mattawa
Sundridge
South River
Trout Creek
Powassan
Rutherglen
Golden L.
Portal L.
Dickson L.
Boom
Opeongo
Rock
Hilly L.
Kawagama L.
Halls Bridge
Minden